

HOUSING AUTHORITY OF THE COUNTY OF HUMBOLDT
EUREKA, CALIFORNIA

AUDITED FINANCIAL STATEMENTS

DECEMBER 31, 2023



**HOUSING AUTHORITY OF THE COUNTY OF HUMBOLDT
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DECEMBER 31, 2023**

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**HOUSING AUTHORITY OF THE COUNTY OF HUMBOLDT
LIST OF PRINCIPAL OFFICIALS
DECEMBER 31, 2023**

The following table lists the Board Members as of December 31, 2023:

<u>Board Members</u>	<u>Position</u>
Elizabeth Conner	Chairperson
Maureen Fitzgerald	Vice-Chairperson
Sylvia Derooy	Commissioner
Kaylen Escarda	Commissioner
Lisa Leon	Commissioner
Leslie Zondervan-Droz	Commissioner

In addition to the above Commissioners, the Administrator of the Authority is Cheryl Churchill, who serves as the Executive Director.

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Housing Authority of the County of Humboldt
Eureka, California

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the business-type activities of the Housing Authority of the County of Humboldt (the "Authority"), as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Authority, as of December 31, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 9 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 17, 2024, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Harshmal & Company LLP

Oakland, California
September 17, 2024

**HOUSING AUTHORITY OF THE COUNTY OF HUMBOLDT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2023**

The Housing Authority of the County of Humboldt (the "Authority") primarily provides housing assistance to low-income individuals and families. Its primary sources of funding are through grants received from the U.S. Department of Housing and Urban Development (HUD).

The Authority's Management's Discussion and Analysis (MD&A) is designed to:

- Provide an overview of the Authority's financial activity,
- Identify changes in the Authority's financial position (its ability to address the next and subsequent year's challenges),
- Assist the reader in focusing on significant financial issues and
- Identify individual fund issues or concerns.

Since the MD&A is designed to focus on the current year's activities, resulting changes, and currently known facts, please read it in conjunction with the attached financial statements (beginning on page 10).

FINANCIAL HIGHLIGHTS

Net position increased by \$91,097 in 2023. Since the Authority engages only in business-type activities, the increase is all in the category of business-type net position. Net position was \$336,034 and \$244,937 for 2023 and 2022, respectively.

Total revenues increased by \$2,127,962 during 2023 and were \$9,663,113 and \$7,535,151 for 2023 and 2022, respectively.

Total expenses increased by \$1,438,081 during 2023 and were \$9,572,016 and \$8,133,935 for 2023 and 2022, respectively.

Basic Financial Statements

This discussion and analysis are intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements are comprised of a statement of net position, statement of revenues, expenses, and changes in net position, statement of cash flows and notes to basic financial statements.

The Statement of Net Position presents information on all of the Authority's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating. Assets and liabilities are presented in order of liquidity, and are classified as "current" (convertible into cash or due within one year) and "non-current." The purpose of the Statement of Net Position is to present the net available liquid (non-capital) assets net of liabilities, for the Authority. Net Position is reported in three broad categories:

- Net investment in capital assets: This component of net position consists of all capital assets, leased assets, reduced by the outstanding balances of any bonds, mortgages, notes, lease liabilities, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted net position: This component of net position consists of restricted assets when constraints are placed on the asset by creditors (such as debt covenants), grantors, contributors, laws, regulations, etc.
- Unrestricted net position: This consists of the net position that does not meet the definition of "Net Investment in Capital Assets" or "Restricted Net Position."

**HOUSING AUTHORITY OF THE COUNTY OF HUMBOLDT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2023**

Basic Financial Statements - Cont'd

The Statement of Revenues, Expenses, and Changes in Net Position presents information showing how the Authority's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods. This statement includes operating revenues, such as operating subsidies and grants; operating expenses, such as administrative, utilities, depreciation, and maintenance; and nonoperating revenue and expenses, such as investment income and interest expense.

The Statement of Cash Flows presents the change in the Authority's cash and cash equivalents during the most recent fiscal year. The Notes to Basic Financial Statements provide additional information that is essential to a full understanding of the data provided in the fund financial statements.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Authority uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Some funds are required to be established by the Department of Housing and Urban Development (HUD). However, the Housing Authority establishes other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using grants and other moneys. All of the funds of the Authority are classified as one enterprise fund.

Enterprise funds account for activities similar to those found in the private sector, where the determination of net income is necessary or useful for sound financial administration. They are reported using the full accrual method of accounting in which all assets and all liabilities associated with the operation of these funds are included on the balance sheet. The focus of enterprise funds is on income measurement, which, together with the maintenance of equity, is an important financial indication.

Authority's Fund

Housing Choice Voucher Program - Under the Housing Choice Voucher Program, the Authority administers contracts with independent landlords that own the property. The Authority subsidizes the family's rent through a Housing Assistance Payment made to the landlord. The program is administered under an Annual Contributions Contract (ACC) with HUD. HUD provides annual contributions funding to enable the Authority to structure a lease that sets the participants' rent at 30% of household income.

Other Programs - In addition to the program above, the Authority also maintains other state and local programs to help support the Authority's main objective of affordable housing for low-income individuals.

**HOUSING AUTHORITY OF THE COUNTY OF HUMBOLDT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2023**

The following table reflects the condensed Statement of Net Position compared to the prior year.

**TABLE 1
Statement of Net Position**

	<u>December 31, 2023</u>	<u>December 31, 2022</u>	<u>Change</u>	<u>%</u>
Current and other assets	\$ 1,414,856	\$ 1,263,301	\$ 151,555	12
Capital assets, net	<u>69,594</u>	<u>90,071</u>	<u>(20,477)</u>	<u>(23)</u>
Total assets	<u>1,484,450</u>	<u>1,353,372</u>	<u>131,078</u>	<u>10</u>
Current liabilities	180,816	194,847	(14,031)	(7)
Noncurrent liabilities	<u>967,600</u>	<u>913,588</u>	<u>54,012</u>	<u>6</u>
Total liabilities	<u>1,148,416</u>	<u>1,108,435</u>	<u>39,981</u>	<u>4</u>
Net investment in capital assets	36,552	45,343	(8,791)	(19)
Restricted	35,064	127,803	(92,739)	(73)
Unrestricted	<u>264,418</u>	<u>71,791</u>	<u>192,627</u>	<u>268</u>
Total net position	<u>336,034</u>	<u>244,937</u>	<u>91,097</u>	<u>37</u>
Total liabilities and net position	<u>\$ 1,484,450</u>	<u>\$ 1,353,372</u>	<u>\$ 131,078</u>	<u>10</u>

Major Factors Affecting the Statement of Net Position (Table 1)

The Authority's total net position increased by \$91,097, largely as a result of the following items:

Current assets increased by \$151,555, mostly due to the following factors:

- Unrestricted cash increased by \$252,402 primarily due to an increase in Housing Choice Voucher (HCV) administrative fees, as well as an increase in administrative fees as a result of the growth of Emergency Housing Vouchers (EHV) and Mainstream Vouchers (MSV).
- Restricted cash decreased by \$87,119, mostly due to the consumption of cash used for EHV housing assistance payments (HAP) and services fees prefunded in the prior year.

Total liabilities increased by \$39,981 primarily due to the following:

- Current liabilities decreased by \$14,031, mostly due to a reduction in accounts payable.
- Noncurrent liabilities increased by \$54,012, mostly due to an increase in the Authority's pension plan liability and other post-employment benefits (OPEB) (see Note 11) of \$54,311 and \$27,582, respectively, and offset by a reduction in our accrued employee benefits, lease liability and related-party obligations of \$10,042, \$9,859, and \$7,980, respectively.

**HOUSING AUTHORITY OF THE COUNTY OF HUMBOLDT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2023**

**TABLE 2
Statement of Revenues, Expenses, and Changes in Net Position**

	<u>December 31, 2023</u>	<u>December 31, 2022</u>	<u>Change</u>	<u>%</u>
Operating grants and subsidies	\$ 9,621,156	\$ 7,478,730	\$ 2,142,426	29
Other operating revenues	34,722	55,235	(20,513)	(37)
Depreciation expense	(8,631)	(6,262)	(2,369)	38
Housing assistance payments	(8,170,786)	(6,739,757)	(1,431,029)	21
Other operating expenses	<u>(1,392,599)</u>	<u>(1,387,916)</u>	<u>(4,683)</u>	<u>-</u>
Operating Income (Loss)	83,862	(599,970)	683,832	(114)
Nonoperating revenues (expenses)	<u>7,235</u>	<u>1,186</u>	<u>6,049</u>	<u>510</u>
Change in net position	91,097	(598,784)	689,881	(115)
Net position, at the beginning of the year	<u>244,937</u>	<u>843,721</u>	<u>(598,784)</u>	<u>(71)</u>
Net position, at the end of the year	<u><u>\$ 336,034</u></u>	<u><u>\$ 244,937</u></u>	<u><u>\$ 91,097</u></u>	<u><u>\$ 37</u></u>

Major Factors Affecting the Statement of Revenues, Expenses, and Changes in Net Position (Table 2)

The Authority's change in net position increased by \$689,881 in 2023 compared to 2022 due to the following factors:

Revenues

- Operating grants and subsidies increased by \$2,142,426, mostly due to an increase in HCV, EHV, and MSV administrative and HAP funding.
- Other operating revenue decreased by \$20,513, mostly due to a decrease in funding from portable vouchers coming into Humboldt County from other housing authorities.

Expenses

Expenses are subject to fluctuation based on the program's administrative needs as well as fair market rates for the local rental market, the number of vouchers issued, and the family compositions and incomes of voucher clients, as this determines the rental subsidy paid. The Authority's total expenses increased by \$1,438,081, mostly as a result of the following items:

- Housing assistance payment expenses increased by \$1,431,029, mostly due to a planned increase in payment standard as well as voucher growth due to the EHV and MSV programs.

**HOUSING AUTHORITY OF THE COUNTY OF HUMBOLDT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2023**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of the fiscal year ended December 31, 2023, the Authority had \$37,056 invested in an inspection vehicle, site improvements, and a shop building, in addition to \$32,538 in intangible capital assets for equipment leases. Assets are reflected in the following schedule, which represents a net decrease (additions, deductions, and depreciation) of \$20,477 from the end of last year.

**TABLE 3
Capital Assets**

	<u>December 31, 2023</u>	<u>December 31, 2022</u>	<u>Change</u>	<u>%</u>
Buildings	\$ 36,517	\$ 36,517	\$ -	-
Furniture and equipment - administration	69,417	69,417	-	-
Intangible capital assets	53,740	53,740	-	-
Less: accumulated depreciation	(68,878)	(60,247)	(8,631)	14
Less: accumulated amortization	<u>(21,202)</u>	<u>(9,356)</u>	<u>(11,846)</u>	<u>127</u>
Total	<u>\$ 69,594</u>	<u>\$ 90,071</u>	<u>\$ (20,477)</u>	<u>(23)</u>

Debt Outstanding

On December 31, 2023, the Authority had \$33,042 debt outstanding.

ECONOMIC FACTORS

Significant economic factors affecting the Authority are as follows:

- Federal funding by the U.S. Department of Housing and Urban Development.
- Local labor supply and demand can affect salary and wage rates.
- Local inflation, recession, and employment trends can affect resident incomes and, therefore, the amount of Housing Assistance Payments made to landlords on behalf of clients.

FINANCIAL CONTACT

This financial report is designed to provide users of these financial statements with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. The individual to be contacted regarding this report is Cheryl Churchill, Executive Director for the Housing Authority of the County of Humboldt, at (707) 443-4583.

Specific requests may be submitted to:

Dustin Wiesner, Director of Finance,
Housing Authority of the County of Humboldt,
735 West Everding, Eureka, CA 95503.

BASIC FINANCIAL STATEMENTS

HOUSING AUTHORITY OF THE COUNTY OF HUMBOLDT
STATEMENT OF NET POSITION
DECEMBER 31, 2023

ASSETS

Current assets	
Cash and cash equivalents	\$ 1,230,380
Accounts receivable, net of allowances	2,555
Accrued interest receivable	2,605
Prepaid expenses	<u>28,370</u>
Total current assets	<u>1,263,910</u>
Restricted assets	
Cash and cash equivalents, restricted	<u>150,946</u>
Total restricted assets	<u>150,946</u>
Noncurrent assets	
Capital assets, net	37,056
Intangible capital assets - right to use leased assets, net	<u>32,538</u>
Total noncurrent assets	<u>69,594</u>
Total assets	<u>1,484,450</u>

LIABILITIES AND NET POSITION

LIABILITIES

Current liabilities	
Accounts payable	8,865
Unearned revenue	115,882
Other current liabilities	35,824
Related-party obligations	7,980
Lease liability	10,042
Accrued employee benefits	<u>2,223</u>
Total current liabilities	<u>180,816</u>
Noncurrent liabilities	
Accrued employee benefits, net of current portion	71,862
Lease liability, net of current portion	23,000
Related-party obligations, net of current portion	<u>872,738</u>
Total noncurrent liabilities	<u>967,600</u>
Total liabilities	<u>1,148,416</u>

NET POSITION

Net investment in capital assets	36,552
Restricted	35,064
Unrestricted	<u>264,418</u>
Total net position	<u>336,034</u>
Total liabilities and net position	<u>\$ 1,484,450</u>

The accompanying notes are an integral part of these financial statements.

HOUSING AUTHORITY OF THE COUNTY OF HUMBOLDT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2023

OPERATING REVENUES

Operating grants and subsidies	\$ 9,621,156
Other operating revenue	<u>34,722</u>
Total operating revenues	<u>9,655,878</u>

OPERATING EXPENSES

Administration	898,821
Tenant services	320,921
Utilities	13,783
Ordinary maintenance and operations	13,916
Insurance premiums	32,170
General expenses	101,142
Depreciation	8,631
Housing assistance payments	8,170,786
Amortization expenses	<u>11,846</u>
Total operating expenses	<u>9,572,016</u>

Operating income	<u>83,862</u>
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NONOPERATING REVENUES (EXPENSES)

Interest expenses	(1,420)
Interest income	<u>8,655</u>
Total nonoperating revenues	<u>7,235</u>

Change in net position	91,097
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Net position, beginning of year	<u>244,937</u>
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Net position, end of year	<u><u>\$ 336,034</u></u>
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The accompanying notes are an integral part of these financial statements.

HOUSING AUTHORITY OF THE COUNTY OF HUMBOLDT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2023

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash collected from	
Other operating revenue	\$ 32,884
Cash receipts from grants	9,626,776
Cash paid for	
Housing assistance payments	(8,170,786)
Tenant services	(320,921)
Payment for expenses	<u>(996,808)</u>
Net cash provided by operating activities	<u>171,145</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Principal paid on the right to use leased assets	(11,686)
Interest paid on the right to use leased assets	<u>(1,420)</u>
Net cash used in capital and related financing activities	<u>(13,106)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Interest received on investments	<u>7,244</u>
Net cash provided by investing activities	<u>7,244</u>
Net change in cash and cash equivalents	165,283
Cash and cash equivalents, beginning of year	<u>1,216,043</u>
Cash and cash equivalents, end of year	<u><u>\$ 1,381,326</u></u>

RECONCILIATION OF CASH TO THE STATEMENT OF NET POSITION:

Cash and equivalents - operating	\$ 1,230,380
Restricted cash and equivalents	<u>150,946</u>
Total cash and cash equivalents	<u><u>\$ 1,381,326</u></u>

The accompanying notes are an integral part of these financial statements.

HOUSING AUTHORITY OF THE COUNTY OF HUMBOLDT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2023

RECONCILIATION OF OPERATING INCOME TO NET CASH USED IN OPERATING ACTIVITIES:

Operating income	\$	83,862
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities		
Depreciation		8,631
Amortization expense		11,846
Change in operating assets and liabilities		
Accounts receivable		(2,169)
Prepaid expenses		17,308
Accounts payable		(14,385)
Accrued employee benefits		(10,162)
Unearned revenue		5,595
Related party obligations		73,912
Other current liabilities		<u>(3,293)</u>
Net cash provided by operating activities	\$	<u><u>171,145</u></u>

The accompanying notes are an integral part of these financial statements.

HOUSING AUTHORITY OF THE COUNTY OF HUMBOLDT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 1 - NATURE OF BUSINESS AND ORGANIZATION

Organization

Housing Authority of the County of Humboldt (the "Authority") was incorporated on December 1, 1970, under the California State Health and Safety Code, Section 34200. The Authority was established to provide clean, decent, safe, sanitary, and affordable housing to low-income families.

Commissioners are appointed by the Authority's board of supervisors. Regular commissioners serve terms of four years, and tenant commissioners serve two years. The board consists of six commissioners.

Under the United States Housing Act of 1937, as amended, the U.S. Department of Housing and Urban Development (HUD) has direct responsibility for administering low-income housing programs in the United States. Accordingly, HUD has contracted with the Authority to administer certain HUD funds.

Reporting Entity

As described in GASB Statement No. 34, paragraph 134, the Authority is considered a primary government and meets the definition of a special purpose government ("SPG"). The Authority is a legally separate entity that is engaged in only business-type activities. Business-type activities are defined as activities that are financed in whole or in part by fees charged to external parties for goods or services. SPGs engaged only in business-type activities are required to present only the financial statements required for proprietary funds, which include Management's Discussion and Analysis ("MD&A"), Basic Financial Statements, and Required Supplemental Information ("RSI"). All inter-program activities have been eliminated in these financial statements.

The Authority is an independent agency with operations separate from those of the County of Humboldt (the "County"). The Authority's obligations, including loans through direct borrowing or the sale of bonds, are not obligations of the County. The County provides no funding to the Authority. Additionally, the County of Humboldt does not hold title to any of the Authority's assets, nor does it have any right to the Authority's surpluses. The County does not have the ability to exercise influence over the Authority's daily operations or approve the Authority's budgets.

The Authority is a separate entity from the Housing Authority of the City of Eureka (HACE). HACE and the Authority function together as a combined public housing authority while maintaining separate boards and by-laws. Although two distinct corporate entities, HACE and the Authority operate in a cooperative manner, efficiently sharing administrative functions to deliver housing resources and services. One executive director oversees both entities, with shared staff, office space, and equipment. Costs for shared resources are allocated based on actual usage and other appropriate methods.

The Authority's primary operations are comprised of the Housing Choice Voucher Program. This program is designed to aid very low-income families in obtaining decent, safe, and sanitary rental housing. The Authority administers contracts with independent landlords that own property and rent that property to families that have applied for housing assistance. The Authority subsidizes the family's rent through a Housing Assistance Payment made to the landlord. The program is administered under an Annual Contributions Contract (ACC) with HUD. HUD provides annual contributions funding to enable the Authority to structure a lease that sets the participant's rent at 30% of household income.

HOUSING AUTHORITY OF THE COUNTY OF HUMBOLDT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accrual Basis of Accounting

The financial statements are presented using the accrual basis of accounting with an economic resources measurement focus. Under this method, revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred. As permitted by accounting principles generally accepted in the United States of America (GAAP), the Authority has elected to apply all relevant Government Accounting Standards Board (GASB) pronouncements.

The Authority distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses are derived from providing services in connection with the Authority's ongoing operations. Operating revenues generally include housing assistance payments and fees from the Section 8 programs. Operating revenues also include other operating grants. Operating expenses generally include housing assistance payments, administrative expenses, tenant services, utilities, maintenance and operations, general expenses, insurance premiums, amortization of intangible capital assets, and depreciation on capital assets. All other revenues and expenses not meeting the definition of operating revenues and expenses are reported as nonoperating revenues and expenses or as capital contributions.

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles as applied to governmental units requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Equivalents

The Authority's cash includes certificates of deposit, money market funds, savings accounts, demand deposits, and other short-term securities; consequently, the cost, carrying value, and market value are equivalent.

Restricted Cash

Restricted cash consists of cash set aside by HUD for the Housing Choice Voucher Program.

Accounts Receivable from HUD and Other Governments

The amounts reported as accounts receivable from HUD or due from other governments represent reimbursable costs or grant subsidies earned that have not been received as of year-end; these amounts are considered fully collectible.

Allowance for Doubtful Accounts

The Authority uses the allowance for bad debts method of valuing doubtful receivables, which is based on historical experience coupled with a review of the status of existing receivables.

HOUSING AUTHORITY OF THE COUNTY OF HUMBOLDT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D

Accrued Employee Benefits

Accumulated sick and vacation benefits are recorded as liabilities on the Authority's books. The Authority shares management and staff with the Housing Authority of the City of Eureka and, therefore, allocates costs associated with the accrued employee benefits based on actual time spent on programs by these personnel for the respective entity.

Capital Assets

Capital assets are stated at historical cost. Donated capital assets are stated at their fair value on the date donated. This includes site acquisition and improvement, structures, and equipment. Items with expected lives greater than one year and value in excess of \$5,000 are recorded as capital assets.

Depreciation of exhaustible capital assets is charged as an expense against operations utilizing the straight-line method. Accumulated depreciation is reported on the Statement of Net Position. The estimated useful lives for each major class of depreciable fixed assets range from 3 to 40 years.

Intangible capital assets: The Authority has recorded the right to use lease assets as a result of implementing GASB 87. The right-to-use assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and ancillary charges necessary to place the lease into service. The right-to-use assets are amortized on a straight-line basis over the life of the related lease.

Deferred Inflows/Outflows of Resources

In accordance with GASB 63, in addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Authority has no items that meet this criterion.

Also, in addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Authority has no items that meet this criterion.

Net Position

Net position comprises the various net earnings from operating and nonoperating revenues and expenses, and net position is classified into the following three components:

- Net investment in capital assets - This component of net position consists of capital assets net of accumulated depreciation, intangible capital assets - right to use leased assets net of accumulated amortization and reduced by the outstanding balances of any bonds, mortgages, notes, lease liabilities or other borrowings that are attributable to the acquisition, construction or improvement of those assets. If there are significant unspent-related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

HOUSING AUTHORITY OF THE COUNTY OF HUMBOLDT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D

Net Position - Cont'd

- Restricted - This component of net position consists of constraints on assets imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation, reduced by liabilities related to those restricted assets.
- Unrestricted - This component of net position consists of amounts that do not meet the definition of "restricted" or "net investment in capital assets."

Leases

Lessee - At the commencement of a lease, the Authority initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of the lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the leased asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the Authority determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) the lease term, and (3) lease payments.

- The Authority uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Authority generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option prices that the Authority is reasonably certain to exercise.

The Authority monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported as intangible capital assets, and lease liabilities are reported separately in the Statement of Net Position.

Lease Liabilities

Per GASB 87, leases, lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at the commencement date. The Authority has leases for office equipment. The lease liability is measured at the present value of the remaining lease payments, using a discount rate based on the rate implicit in the lease, if readily determinable. Otherwise, the Authority uses its incremental borrowing rate at the commencement date to determine the present value of future payments.

HOUSING AUTHORITY OF THE COUNTY OF HUMBOLDT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D

Income Taxes

The Authority is not subjected to federal or state income taxes.

Future Accounting Pronouncement

The GASB has issued several new accounting pronouncements, which will be effective for the Authority in subsequent years. The following GASB pronouncements have been issued, but are not yet effective as of December 31, 2023:

GASB No.	Title	Required Implementation Date (Period Beginning Date)	Authority Fiscal Year
Statement No. 99	Omnibus 2022 (financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53)	June 15, 2023	2024
Statement No. 100	Accounting Changes and Error Corrections - an Amendment of GASBs No. 64	June 15, 2023	2024
Statement No. 101	Compensated Absences	December 15, 2023	2024
Statement No. 102	Certain Risk Disclosures	June 15, 2024	2025
Statement No. 103	Financial Reporting Model Improvements	June 15, 2025	2026

The Authority will implement the applicable new GASB pronouncements in the fiscal year no later than the required effective date. The Authority has not yet determined the financial impact from future implementation of these standards.

New Accounting Pronouncement

During the year ended December 31, 2023, the Authority implemented the provisions of GASB Statement No. 96, Subscription-Based Information Technology Arrangements (SBITAs). This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines an SBITA; (2) establishes that an SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of an SBITA; and (4) requires note disclosures regarding an SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended. The Authority’s analysis of SBITAs in effect at the beginning of the year resulted in no changes to beginning balances reported in the financial statements due to the implementation of this standard.

Subsequent Events

Management has evaluated subsequent events through September 17, 2024, the date at which the financial statements were available to be issued. There were no subsequent events that require recognition or disclosure in the financial statements.

HOUSING AUTHORITY OF THE COUNTY OF HUMBOLDT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 3 - CASH AND INVESTMENTS

Investments Authorized by the U.S. Department of Housing and Urban Development

All deposits of the Authority are made in board-designated official depositories and are secured in accordance with HUD regulations. The annual contribution contract authorizes the Authority to invest in the following types of securities:

- Obligations of the federal government which are backed by the full faith and credit of the Federal Government.
- Obligations of any agency or instrumentality of the Federal Government if the payment of interest and principal on such obligations is fully guaranteed by the Federal Government.
- Obligations of the Federal Intermediate Credit Banks, the Federal Home Loan Banks, the Federal National Mortgage Association, the Bank for Cooperatives, and the Federal Land Banks, which mature no later than 18 months after the date of purchase.

Investments Authorized by California Government Code

The following table identifies the investment types that are authorized in accordance with Section 53601 of the California Government Code.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
U.S. Treasury Bill, Notes and Bonds	5 years	100%	None
Government Agency Securities	5 years	100%	None
Banker's Acceptances	180 days	40%	5%
Commercial Paper	270 days	40%	5%
Negotiable Certificates of Deposit	5 years	30%	5%
California Local Agency Investment Fund	N/A	N/A	\$ 75,000,000
Medium-Term Notes	5 years	30%	5%
Money Market Mutual Funds	N/A	20%	None
Collateralized Bank Deposits	5 years	30%	None
Investment Pools	N/A	100%	None

In accordance with GASB Statement No. 40, the Authority's exposure to deposit and investment risk is disclosed as follows:

Interest Rate Risk

Interest rate risk is the risk that the changes in interest rates will adversely affect the fair value of an investment. The Authority's policy is to manage this exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio. As of December 31, 2023, the Authority's risk of changes in interest rates is minimal since the investments primarily consist of state-sponsored investment pool funds that have stated interest rates.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. It is the Authority's policy to follow the HUD regulations by only having direct investments and investments through mutual funds to direct obligations, guaranteed obligations, or obligations of the agencies of the United States of America. As of December 31, 2023, the Authority mitigated this exposure to credit risk by only investing in fully insured state investment pool funds.

HOUSING AUTHORITY OF THE COUNTY OF HUMBOLDT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 3 - CASH AND INVESTMENTS - CONT'D

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned. The Authority's policy for custodial credit risk requires collateral to be held in the Authority's name by its agent or by the bank's trust department. As of December 31, 2023, none of the Authority's total bank balances were exposed to custodial credit risk. All deposits held were either insured by the Federal Deposit Insurance Corporation (FDIC) or National Credit Union Share Insurance Fund (NCUSIF), ensuring the safeguarding of the Authority's assets.

Investment Policy

Per investment policy, HUD and the California Government Code do not address legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local government units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure such deposits by pledging first trust deed mortgage notes, which have a value of 150% of the secured public deposits.

Investment in State Investment Pool

The Authority is a voluntary participant in the Local Agency Investment Fund (LAIF), which is part of the Pooled Money Investment Account that is regulated by the California Government Code under the oversight of the State Treasurer, Director of Finance, and State Controller. Investments in LAIF are highly liquid, as deposits can be converted to cash within 24 hours without loss of interest. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

All investments with LAIF are secured by the full faith and credit of the State of California. The State Treasurer's Office audits the fund annually. The fair value of the position in the investment pool is the same as the value of the pool shares. Separate LAIF financial statements are available from the California State Treasurer's Office at www.treasurer.ca.gov.

The Authority's investment in this pool is reported in the accompanying financial statements at cost, which approximates fair value at amounts based upon the Authority's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). Included in LAIF's investment portfolio are certain derivative securities or similar products in the form of structured notes and asset-backed securities. LAIF's exposure to risk (credit, market, or legal) is not currently available.

Cash and investments as of December 31, 2023, are presented in the accompanying financial statements as follows:

Cash and investments - unrestricted	\$ 1,230,380
Restricted cash	
Associated with Mainstream Vouchers	2,233
Associated with Housing Choice Vouchers	32,831
Associated with Emergency Housing Vouchers	<u>115,882</u>
Total restricted cash and cash equivalents	<u>\$ 1,381,326</u>

HOUSING AUTHORITY OF THE COUNTY OF HUMBOLDT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 3 - CASH AND INVESTMENTS - CONT'D

Cash and investments held by the Authority as of December 31, 2023, consisted of the following:

Cash and deposits	
Petty cash	\$ 300
Demand deposits	<u>1,121,804</u>
Total cash and deposits	<u>1,122,104</u>
Investments	
State of California Local Agency Investment Fund	<u>259,222</u>
Total investments	<u>259,222</u>
Total cash and investments	<u>\$ 1,381,326</u>

NOTE 4 - CAPITAL ASSETS

A summary of capital assets for the year ended December 31, 2023 is as follows:

	<u>January 01,</u> <u>2023</u>	<u>Additions</u>	<u>Deletions</u>	<u>December</u> <u>31, 2023</u>
Capital assets being depreciated				
Buildings	\$ 36,517	\$ -	\$ -	\$ 36,517
Furniture & equipment-administration	<u>69,417</u>	<u>-</u>	<u>-</u>	<u>69,417</u>
Total capital assets being depreciated	105,934	-	-	105,934
Accumulated depreciation	<u>(60,247)</u>	<u>(8,631)</u>	<u>-</u>	<u>(68,878)</u>
Capital assets, net	<u>\$ 45,687</u>	<u>\$ (8,631)</u>	<u>\$ -</u>	<u>\$ 37,056</u>

Intangible capital assets activity for the year ended December 31, 2023, was as follows:

	<u>January 01,</u> <u>2023</u>	<u>Increase/</u> <u>(Decrease)</u>	<u>December</u> <u>31, 2023</u>
Intangible capital asset - right-to-use leased assets			
Right-to-use leased equipment	\$ 53,740	\$ -	\$ 53,740
Total intangible capital asset right-to-use leased assets	<u>53,740</u>	<u>-</u>	<u>53,740</u>
Less: accumulated amortization			
Right-to-use leased equipment	<u>(9,356)</u>	<u>(11,846)</u>	<u>(21,202)</u>
Total accumulated amortization	<u>(9,356)</u>	<u>(11,846)</u>	<u>(21,202)</u>
Total intangible capital asset - right-to-use leased assets, net	<u>\$ 44,384</u>	<u>\$ (11,846)</u>	<u>\$ 32,538</u>

Depreciation expense for the year ended December 31, 2023, was \$8,631. The amortization expense for the year ended December 31, 2023, was \$11,846.

HOUSING AUTHORITY OF THE COUNTY OF HUMBOLDT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 5 - LONG-TERM LIABILITIES

A summary of activity for long-term liabilities is summarized as follows:

	<u>January 01, 2023</u>	<u>Addition</u>	<u>Reductions</u>	<u>December 31, 2023</u>	<u>Current Portion</u>
Accrued employee benefits					
Accrued employee benefits	\$ 84,247	\$ 55,168	\$ (65,330)	\$ 74,085	\$ 2,223
Total accrued employee benefits	<u>84,247</u>	<u>55,168</u>	<u>(65,330)</u>	<u>74,085</u>	<u>2,223</u>
Related-party obligations					
Rent	55,860	-	(7,980)	47,880	7,980
OPEB liability	168,317	27,582	-	195,899	-
Pension liability	<u>582,629</u>	<u>54,310</u>	<u>-</u>	<u>636,939</u>	<u>-</u>
Total related-party obligations	<u>806,806</u>	<u>81,892</u>	<u>(7,980)</u>	<u>880,718</u>	<u>7,980</u>
Total long-term liabilities	<u>\$ 891,053</u>	<u>\$ 137,060</u>	<u>\$ (73,310)</u>	<u>\$ 954,803</u>	<u>\$ 10,203</u>

NOTE 6 - LEASE LIABILITY

The Authority has entered into agreements to lease office equipment. The lease agreements qualify as other than short-term leases under GASB 87 and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

- 1) Copier Equipment: The Authority and Housing Authority of the City of Eureka have been leasing and sharing copier equipment (78.66% and 21.34%, respectively). The lease agreement includes a fixed and variable portion. The agreement was executed in April 2022 to lease equipment and requires 60 monthly payments of \$1,353.

The lease liability was measured at the Authority's incremental borrowing rate. Variable payments based on the future performance of the lessee or usage of the underlying asset are not included in the measurement of the lease liability. These variable payments include insurance, taxes, and other common area operating costs and are recognized as an expense in the period in which the obligation for those payments is incurred. Any components of those variable payments that are fixed in substance are included in the measurement of the lease liability.

- 2) Postage Equipment: The Authority and Housing Authority of the City of Eureka have been leasing and sharing postage equipment (78.66% and 21.34%, respectively). The agreement was executed in January 2019 to lease postage equipment and requires 20 quarterly payments of \$747. The lease liability is measured using the Authority's incremental borrowing rate at the commencement date.

	<u>January 01, 2023</u>	<u>Addition</u>	<u>Reductions</u>	<u>December 31, 2023</u>	<u>Current Portion</u>
Lease liability	\$ 44,728	\$ -	\$ (11,686)	\$ 33,042	\$ 10,042
Total lease liability	<u>\$ 44,728</u>	<u>\$ -</u>	<u>\$ (11,686)</u>	<u>\$ 33,042</u>	<u>\$ 10,042</u>

HOUSING AUTHORITY OF THE COUNTY OF HUMBOLDT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 6- LEASE LIABILITY - CONT'D

The future minimum payments schedule at year-end was as follows:

Year ending December 31,	Principal	Interest	Total
2024	\$ 10,042	\$ 1,030	\$ 11,072
2025	10,400	672	11,072
2026	10,770	301	11,071
2027	<u>1,830</u>	<u>16</u>	<u>1,846</u>
Total	<u>\$ 33,042</u>	<u>\$ 2,019</u>	<u>\$ 35,061</u>

NOTE 7 - JOINT POWERS AGREEMENT

The Authority is a member of the California Housing Workers Compensation Authority (CHWCA), an intergovernmental risk-sharing joint powers authority created pursuant to California Government Code Sections 6500, et. seq. Each entity has an equal voice in the selection of a Board which oversees CHWCA.

The CHWCA's current available financial statement as of December 31, 2023, is summarized below:

Total assets	<u>\$ 31,433,505</u>
Total liabilities	16,846,171
Net position	<u>14,587,334</u>
Total liabilities and net position	<u>31,433,505</u>
Total revenues	5,665,132
Total expenses	<u>5,235,252</u>
Change in net position	429,880
Net position at the beginning of the year	<u>14,157,454</u>
Net position at the end of the year	<u>\$ 14,587,334</u>

NOTE 8 - NET POSITION

Net investment in capital assets was comprised of the following as of December 31, 2023:

Capital assets, net of accumulated depreciation	\$ 37,056
Intangible capital asset, net of accumulated amortization	32,538
Less: lease liability	<u>(33,042)</u>
Net investment in capital assets	<u>\$ 36,552</u>

Restricted net position was comprised of the following as of December 31, 2023:

Restricted cash and cash equivalents	\$ 150,946
Less: current liabilities covered by restricted assets	<u>(115,882)</u>
Restricted net position	<u>\$ 35,064</u>

HOUSING AUTHORITY OF THE COUNTY OF HUMBOLDT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 9 - COMMITMENTS AND CONTINGENCIES

Government Examination

The Authority has received funds from Federal and Local grant programs. It is possible that at some future date, it may be determined that the Authority was not in compliance with applicable grant requirements. The amount, if any, of expenditures that may be disallowed by the granting agencies cannot be determined at this time, although the Authority does not expect such disallowed amounts, if any, to materially affect the financial statements.

NOTE 10 - BUSINESS RISKS AND CONCENTRATIONS

Concentration - Major Contributor

For the year ended December 31, 2023, approximately 99% of operating revenues reflected in the financial statements are from HUD. The Authority operates in a heavily regulated environment. The operations of the Authority are subject to the administrative directives, rules, and regulations of federal, state, and local regulatory agencies, including, but not limited to, HUD. Such administrative directives, rules, and regulations are subject to change by an act of Congress or an administrative change mandated by HUD. Such changes may occur with little notice or inadequate funding to pay for the related costs and the additional administrative burden to comply with the changes.

NOTE 11 - RELATED PARTY TRANSACTIONS

Shared Administration

The Authority shares management and a majority of the Authority's resources with the Housing Authority of the City of Eureka, including personnel and facilities. However, the Authority maintains a separate governing body and, therefore, is considered a separate and unique organization for reporting purposes.

Liability for Pension Plan

The Authority does not have a pension plan. However, all of the salaries and wages in the Authority's financial statements are allocated to staff members from the Housing Authority of the City of Eureka, which participates in a defined benefit plan with the State of California (PERS). The Housing Authority of the City of Eureka implemented GASB 68 *Accounting and Financial Reporting for Pensions* during the fiscal year 2015. This resulted in the Authority establishing a note payable to the Housing Authority of the City of Eureka for the Authority's agreed-upon allocable portion of the net pension liability. As of December 31, 2023, the balance of the note was \$636,939. This liability is reassessed annually based on 30% of the Net Pension Liability for the Housing Authority of the City of Eureka and adjusted as required.

Liability for OPEB Plan

The Authority does not have an OPEB plan. However, all of the salaries and wages in the Authority's financial statements are allocations of staff members from the Housing Authority of the City of Eureka, which does offer other post-employment benefits. The Housing Authority of the City of Eureka implemented GASB 75 during the fiscal year 2018. This resulted in the Authority establishing a note payable to the Housing Authority of the City of Eureka for the Authority's agreed-upon allocable portion of the net OPEB liability. As of December 31, 2023, the balance of the note was \$195,899. This liability is reassessed annually based on 30% of the OPEB Liability for the Housing Authority of the City of Eureka and adjusted as required.

HOUSING AUTHORITY OF THE COUNTY OF HUMBOLDT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 11- RELATED PARTY TRANSACTIONS - CONT'D

Liability for Rent

The Authority is charged rental expenses for the Authority's usage of the office facilities that are owned by the Housing Authority of the City of Eureka. In 2011, The Authority did not have adequate cash flow to pay the Housing Authority of the City of Eureka for rent charges during the year. A note payable was established as a zero percent non-interest bearing note payable. For the year ended December 31, 2023, the Authority has accrued \$47,880 in unpaid office rental fees from prior years. The Authority currently pays \$665 monthly on this liability.

SUPPLEMENTARY INFORMATION

**HOUSING AUTHORITY OF THE COUNTY OF HUMBOLDT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2023**

<u>Federal Grantor/Pass-through Grantor/Program or Cluster Title</u>	<u>Federal Assistance Listing Number</u>	<u>Federal Expenditures</u>
U.S. Department of Housing and Urban Development (HUD)		
<u>Direct Programs:</u>		
Housing Voucher Cluster:		
Section 8 Housing Choice Vouchers	14.871	\$ 7,409,647
Emergency Housing Vouchers (EHV)	14.EHV	1,623,506
Mainstream Vouchers	14.879	<u>445,551</u>
Total U.S. Department of Housing and Urban Development (HUD)		<u>9,478,704</u>
Total expenditures of federal awards		<u>\$ 9,478,704</u>

See the accompanying notes to schedule of expenditures of federal awards.

HOUSING AUTHORITY OF THE COUNTY OF HUMBOLDT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
DECEMBER 31, 2023

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal awards activity of the Housing Authority of the County of Humboldt (the "Authority") under programs of the federal government for the year ended December 31, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the Authority's operations, it is not intended to and does not present the Authority's financial position, changes in net positions, or cash flows.

The amounts presented in the Schedule agree to the amounts presented in or used in the preparation of the basic financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Schedule is presented using the accrual basis of accounting, which is the method used to prepare the Authority's basic financial statements. Note 2 of the Authority's basic financial statements describes the significant accounting policies used by the Authority. Such expenses are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenses are not allowable or are limited to reimbursement.

NOTE 3 - SUBRECIPIENTS

The Authority reported no subrecipient grant activity.

NOTE 4 - INDIRECT COST

The Authority has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

COMPLIANCE SECTION

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Board of Commissioners
Housing Authority of the County of Humboldt
Eureka, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Housing Authority of the County of Humboldt (the "Authority") as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated September 17, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Harshmal & Company LLP

Oakland, California
September 17, 2024

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Commissioners
Housing Authority of the County of Humboldt
Eureka, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Housing Authority of the County of Humboldt's (the "Authority") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended December 31, 2023. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Authority's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Authority's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Authority's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Authority's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Harshmal & Company LLP

Oakland, California
September 17, 2024

**HOUSING AUTHORITY OF THE COUNTY OF HUMBOLDT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2023**

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified that are not considered to be weakness(es)?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified that are not considered to be material weakness(es)?	None reported
Type of auditor's report issued on compliance in accordance with major programs.	Unmodified
Any audit findings disclosed that are required to be reported in accordance with <i>Uniform Guidance 2 CFR 200.516(a)</i> ?	No

Identification of major programs:

Federal Assistance Listing Number

14.871 and 14.879

Name of Federal Program or Cluster

U.S. Dept. of Housing and Urban Development
Housing Choice Voucher Cluster

Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low-risk auditee?	Yes
Instances where results of audit follow-up procedures disclosed that the summary schedule of prior audit findings materially misrepresents the status of any prior audit finding?	No

HOUSING AUTHORITY OF THE COUNTY OF HUMBOLDT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2023

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

**HOUSING AUTHORITY OF THE COUNTY OF HUMBOLDT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2023**

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no federal award findings or questioned costs noted during the year under audit.

**HOUSING AUTHORITY OF THE COUNTY OF HUMBOLDT
STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2023**

The Authority had no finding or questioned cost noted in the prior year that requires a status.